

Message Text

LIMITED OFFICIAL USE

PAGE 01 PRETOR 04284 270800Z

ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-08 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-01

NSC-05 SS-15 STR-07 CEA-01 PA-01 ABF-01 AGRE-00

OES-09 DOE-15 SOE-02 /146 W

-----086384 280402Z /17

R 270730Z JUL 78

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 1887

INFO AMEMBASSY GABORONE

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY MAPUTO

USMISSION USUN NEW YORK

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 4284

E.O. 11652: N/A

TAGS: ECON, EFIN, RH

SUBJECT: RHODESIA: RHODESIAN BUDGET FOR FY-78/79

BEGIN UNCLASSIFIED

SUMMARY: THE BUDGET FOR FY-1978/79 WAS PRESENTED ON JULY 21 BY RHODESIA'S FIRST MULTIRACIAL GOVERNMENT. DEFENSE SPENDING WAS INCREASED ONLY 2 PERCENT OVER LAST YEAR TO US \$374 MILLION. THIS FIGURE REPRESENTS 26 PERCENT OF THE TOTAL BUDGET OF \$1413 MILLION. EXPECTED TAX INCREASES WERE GENERALLY AVOIDED WITH THE ONLY HARSH MEASURE INTRODUCED BEING A LOAN LEVY OF 12.5 PERCENT PAYABLE ON INCOME TAXES OF \$145 AND MORE. END SUMMARY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PRETOR 04284 270800Z

1. REPORTS FROM SOUTH AFRICAN AND RHODESIAN PRESS ON RHODESIAN GOVERNMENT BUDGET FOR FY-1978/79 PRESENTED TO PARLIAMENT JULY 21 BY CO-MINISTERS OF FINANCE DAVID SMITH AND ERNEST BULLE PROJECT INCREASED EXPENDITURES OF ONLY 2 PERCENT ON WAR EFFORT (DEFENSE AND POLICE) OVER FY-1977/78 TO US \$374 MILLION. MINISTRY OF DEFENSE EXPENDITURES FOR THE CURRENT FISCAL YEAR WILL RISE BY

\$7.25 MILLION TO \$232,543,000. THE POLICE WILL INCREASE SPENDING BY \$19.1 MILLION TO \$105 MILLION. COMBINED DEFENSE AND POLICE EXPENDITURE ACCOUNTS FOR 26 PERCENT OF THE TOTAL BUDGET, 1.2 PERCENT LESS THAN LAST YEAR. (NOTE: ALL VALUES IN US DOLLARS AT NEW EXCHANGE RATE OF ONE RHODESIAN DOLLAR EQUALS \$1.454.)

2. THE TOTAL BUDGET INCREASED FROM US \$1,320 MILLION FOR FY-1977/78 TO \$1413 MILLION FOR FY-1978/79. THIS IS ONLY A 6.2 PERCENT INCREASE AND INDICATES THAT CLAMPS ARE BEING PLACED ON GOVERNMENT SPENDING IN THE FACE OF INFLATION. A BUDGET DEFICIT OF \$382 MILLION IS TO BE COVERED BY BORROWINGS.

3. THE EXPECTED HIKE IN TAXES ON BEER AND CIGARETTES DID NOT MATERIALIZE. TO RAISE NEEDED REVENUE, A LOAN LEVY (MATURING IN THREE YEARS) OF 12.5 PERCENT ON BASIC INCOME TAX IS PAYABLE ON A TAX OF US\$145 OR MORE. THIS NEW MEASURE WILL APPLY TO VIRTUALLY ALL 80,000 WHITE TAXPAYERS AND ABOUT 1,000 BLACKS.

4. THE ECONOMIC SURVEY FOR 1977, PUBLISHED SIMULTANEOUSLY, REPORTED A NEGATIVE GROWTH RATE OF 6.7 PERCENT. GROWTH RATE WAS MINUS 3.4 PERCENT IN 1976 AND MINUS 1.1 PERCENT IN 1975. THE SURVEY PREDICTS MUCH THE SAME NEGATIVE GDP IN 1978 DUE TO SANCTIONS WHICH ARE "MADE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PRETOR 04284 270800Z

MORE EFFECTIVE BY THE INTERNATIONAL RECESSION AND THE SECURITY SITUATION."

5. BALANCE OF PAYMENTS DEFICIT IN 1977 WAS \$29.4 MILLION ON CURRENT ACCOUNT AND \$33.1 MILLION ON CAPITAL ACCOUNT. PRESS STATES THAT BALANCE OF PAYMENTS SURPLUS OF \$49.4 MILLION WAS RECORDED IN 1976.

6. SURVEY SAYS 18,000 BLACKS AND 3,000 OTHER RACES LOST JOBS IN 1977. JOB DECREASES WERE MAINLY IN AGRICULTURE BUT ALSO IN MANUFACTURING AND MINING. END UNCLASSIFIED

BEGIN LIMITED OFFICIAL USE

7. COMMENT: THE SURPRISINGLY SLIGHT INCREASE IN DEFENSE SPENDING MAY BE PREMISED ON A WINDING DOWN OF THE GUERRILLA WAR DUE TO THE MARCH 3 INTERNAL SETTLEMENT. IF THIS DOES NOT OCCUR, SUPPLEMENTARY ESTIMATES ARE LIKELY TO BE NEEDED. IN ANY EVENT, IT IS HARD TO SEE HOW THE GOVERNMENT COULD AFFORD TO ALLOCATE MORE RESOURCES TO DEFENSE IN THE FACE OF THE CONTINUED CONTRACTION OF THE ECONOMY. THE DECISION TO BORROW VIA A LOAN LEVY INSTEAD OF RAISING MONEY THROUGH INDIRECT TAXATION ALSO INDICATES AN UNWILLINGNESS BY THE INTERIM

GOVERNMENT TO TAKE ANY ACTION WHICH WOULD BRING FURTHER
DEMORALIZATION AND UNDERMINE THE INTERNAL SETTLEMENT.

8. WE WILL PROVIDE MORE DETAILED ANALYSIS WHEN COPIES OF
BUDGET AND ECONOMIC SURVEY CAN BE OBTAINED.
EDMONDSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PRETOR04284
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780309-0402
Format: TEL
From: PRETORIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780714/aaaaalkg.tel
Line Count: 122
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6d31d76b-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1867512
Secure: OPEN
Status: NATIVE
Subject: RHODESIA: RHODESIAN BUDGET FOR FY-78/79 BEGIN UNCLASSIFIED SUMMARY: THE BUDGET FOR FY-1978/79 WAS PRESENTED
TAGS: ECON, EFIN, RH
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6d31d76b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014